

Message Text

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ACTION NEA-10

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E.O. 11652: GDS
TAGS:EAID, EFIN, EG, JA
SUBJ: JAPANESE ASSISTANCE TO EGYPT

REF: CAIRO 19123

SUMMARY: RECENT CANCELLATION OF JAPANESE PRIME MINISTER'S
VISIT TO EGYPT AS RESULT OF CAMP DAVID MEETING
EVIDENTLY MAY DELAY IMPLEMENTATION OF NEW JAPANESE PROGRAM
ASSISTANCE DURING CY 78. JAPANESE EMBASSY, HOWEVER,
STRESSES GOJ STILL INTERESTED IN EXPANDING BOTH ITS
ASSISTANCE AND COMMERCIAL ACTIVITIES IN EGYPT. END
SUMMARY.

1. IN RECENT WEEKS BOTH LOCAL JAPANESE EMBASSY OFFICIALS
AND GOE FUNCTIONARIES HAVE COMMENTED NEW AID PROGRAM WOULD
BE ANNOUNCED DURING VISIT OF JAPANESE PRIME MINISTER IN
MID-SEPTEMBER. UK EMBOFF RECENTLY TOLD US GOJ WOULD
ANNOUNCE LOAN AS PLANNED. SCHEDULING OF CAMP DAVID
PEACE TALKS PRECLUDED CONFIRMATION OF JAPANESE MINISTERIAL
VISIT, HOWEVER; EXPECTATIONS ARE PRESIDENT SADAT WILL NOW
BE OUT OF EGYPT ON SEPTEMBER 14-15. AS RESULT, LOCAL
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JAPANESE EMBASSY OFFICIALS INDICATE THEY NOW HAVE NO FIRM
IDEA OF WHEN COMMITMENT COULD BE ANNOUNCED.

2. EMBASSY ECONOFF CALLED ON JAPANESE EMBASSY COUNTERPART
AUGUST 24 TO ASCERTAIN STATUS OF PLANNED \$150 MILLION
COMMODITY ASSISTANCE PACKAGE. ON SPECIFIC DETAILS OF
LOAN JAPANESE EMBOFF NOTED THAT PRESENT PLANS CALLED FOR A

PROGRAM OF \$150 TO \$200 MILLION, ROUGHLY HALF OF WHICH WOULD BE COMMODITY ASSISTANCE. OTHER FUNDS WOULD SUPPOSEDLY BE FOR PROJECT DEVELOPMENT. JAPANESE ARE CAUTIOUS ABOUT ESTIMATING HOW MUCH IMPACT THEIR ASSISTANCE MIGHT HAVE ON GOE BALANCE OF PAYMENTS, BUT COMMODITY ASSISTANCE PORTION WILL BE COMPLETELY UNTIED AND WILL OFFER OPPORTUNITIES FOR MANY SUPPLIERS. BECAUSE OF THIS FACET OF PROPOSED FUNDING, LOCAL GOJ OFFICIALS BELIEVE IT WILL TAKE SOME TIME TO WORK OUT DETAILS OF PROGRAM AND NEGOTIATE LOAN WITH GOE. MOREOVER, AS AGREEMENT MUST BE APPROVED BY GOE PEOPLES ASSEMBLY, JAPANESE ANTICIPATE NOTHING COULD BE PUT INTO FINAL FORM BEFORE NOVEMBER 1978 AT EARLIEST. THIS WOULD LEAVE LITTLE TIME FOR DRAWDOWNS AGAINST LOAN THIS YEAR, PARTICULARLY GIVEN GOE SLOWNESS ON DISBURSEMENTS. JAPANESE THEREFORE DO NOT EXPECT MORE THAN 10 PER CENT UTILIZATION BY END OF CALENDAR YEAR.

3. ON SEPARATE ASPECT OF FINANCING, JAPANESE OFFICIALS INDICATED THAT GOJ ALSO SEEKING TO BROADEN SUPPLIER CREDIT COVERAGE IN EGYPT AS BRITISH AND WEST GERMANS HAVE RECENTLY DONE. JAPANESE EMBOFF NOTED TOUCH OF IRONY IN ARGUING CONCURRENTLY FOR COMMODITY ASSISTANCE PROGRAM TO STRENGTHEN BALANCE OF PAYMENTS AND ATTEMPTING MAKE STRONG CASE ON OTHER HAND FOR INCREASING SUPPLIERS' CREDIT COVERAGE IN EGYPT. DESPITE SOME APPARENT INCONSISTENCIES IN THIS POSITION, JAPANESE EMBOFF INDICATED THAT HIS EMBASSY BELIEVES BOTH

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CASES HAVE MERIT AND FINE POINTS OF ECONOMIC RATIONALE FOR BOTH WOULD BE ACCEPTED BY TOKYO.

4. WE WILL CONTINUE TO CHECK WITH GOJ OFFICIALS HERE FROM TIME TO TIME REGARDING FUTURE JAPANESE ASSISTANCE TO EGYPT, BUT WOULD APPRECIATE ANY ADDITIONAL COMMENTS OR INSIGHTS DEPARTMENT OR TOKYO MIGHT PROVIDE. EILTS

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